



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

October 8, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

**STATE LEGISLATIVE UPDATE**

**SACRAMENTO**

***State Budget***

Governor Elect Schwarzenegger and the Legislature will have to deal with a projected structural budget deficit of almost \$8 billion in the upcoming Legislative Session. There is also the possibility that the deficit could grow larger. In late September, a Superior Court judge blocked the sale of \$1.8 billion in bonds that the State was about to issue to finance on-going pension obligations. If not overturned on appeal, the decision would add \$1.8 billion to the deficit and create a legal cloud over the \$10.7 billion in Fiscal Recovery Bonds which the State planned to issue in December. In short, the State could be looking at a \$20 billion plus deficit for its next budget.

In addition to the risks which another State Budget crisis could present for counties because of their heavy dependence on State subventions and State match money for many of the Federal programs they administer, the Governor-elect made a campaign promise to roll back the Vehicle License Fee (VLF) increase which could pose an even greater, and more direct threat to local government budgets. While candidate Schwarzenegger, echoing a promise of Senator McClintock, said he would roll back the VLF by executive order as one of his first actions as Governor, the consensus of lawyers and legislative staff is that a reversal would require legislative action and that an executive order would almost certainly be challenged in court.

Whatever the merits of the legal argument, the new Administration will demand a reversal of the VLF increase, perhaps as early as a December special session. Realistically, in the current State budget and political climate, there is little likelihood that a reduction in the VLF would be backfilled at a cost of \$4 billion annually. The Governor is unlikely to propose a tax increase or off-setting spending reductions to finance it, and Senator Burton yesterday indicated in a press conference that the Legislature would not rush to the rescue of local governments. According to Burton, it will be up to public safety and health advocates, who successfully pushed to have the VLF increased, to make the case with the new Administration that cutting it now would be a disaster. If the VLF is reduced to its previous level, the loss to the County would be approximately \$60 million to \$70 million per month, or as much as \$840 million annually.

### ***Proposed Constitutional Amendment to Protect Local Revenue***

The California State Association of Counties (CSAC), in alliance with the League of Cities and Special Districts, has proposed a constitutional amendment for the November 2004 ballot. The purpose of the initiative is to protect local revenue from any attempt by the State to "reallocate, redistribute, reduce, suspend, or delay the distribution of Local Revenues." The proposal seeks to accomplish this by:

- Requiring that any legislative action to do any of the above be approved by a majority vote of the electorate at the next general election before it can take effect;
- Requiring that any legislative action to reduce the VLF rate requires a two-thirds majority vote in each house of the legislature, as well as approval by a majority of the electorate at the next general election, and if both steps are successful, creating a continuing appropriation to automatically backfill local governments for their lost revenue;
- Tightening the definition of a "State mandate" to include when the State "creates a new program, requires services not previously provided, increases the frequency or duration of services, increases the number of persons eligible for services, or transfers to local government financial responsibility for a program for which the State previously had complete or partial financial responsibility";
- Requiring State payment of a subvention for a State mandate within 160 days of its effective date;
- Assuming voter approval of this amendment at the November 4, 2004 general election, immediate suspension of any legislative action that occurred after October 1, 2003 that would have been subject to the above requirements had they been in effect during that time period, pending their approval or disapproval by a majority of the electorate at the next general election.

It has been estimated that a successful statewide initiative campaign would cost \$10 million. The League of Cities has already endorsed moving forward. Yesterday, the CSAC Board of Directors decided only to proceed to the next stage of submitting draft language to the Attorney General. However, only 17 counties supported moving ahead, and 3 were opposed.

### **Status of County-Interest Legislation**

**County-supported AB 327 (Runner)**, which would authorize a city or county to assess an additional penalty of \$100 for violating parking restrictions and require that the additional fine be applied toward offsetting the cost of establishing a Disabled Parking Enforcement Program, was signed by the Governor on September 29, 2003, and will become effective on January 1, 2004.

**County-supported AB 1313 (Parra)**, which would extend Megan's Law sunset date from January 1, 2004 to January 1, 2007, and authorize campus police to release information on registered sex offenders to the campus community, was signed by the Governor on September 30, 2003 and became effective immediately.

**County-supported SB 2 (Burton)**, which will create the State Health Purchasing Program, and require that health benefits be provided directly by employers or through the program, was signed by the Governor on October 6, 2003, and will become effective on January 1, 2004.

**County-supported SB 358 (Figueroa)**, which would extend the sunset dates for the Board of Registered Nursing and the Board of Vocational Nursing and Psychiatric Technicians from July 1, 2004 to January 1, 2009, create the Vocational Nurse Education Program for scholarships, educational loans, and loan repayment programs for vocational nursing students who agree to serve in a county health facility, state-operated health facility, or health manpower shortage area, was signed by the Governor on October 1, 2003 and will become effective January 1, 2004. However, the section creating the Vocational Nurse Education Program will become operative on July 1, 2004.

We will continue to keep you advised.

DEJ:GK  
MAL:JR:JL:ib

c: Executive Officer, Board of Supervisors  
County Counsel  
Local 660  
All Department Heads  
Legislative Strategist  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association